United States Senate
WASHINGTON, DC 20510

August 19, 2016

The Honorable Beth F. Cobert
Acting Director,
U.S. Office of Personnel Management
1900 E Street, NW
Washington, DC 20415-1000

Dear Acting Director Cobert:

We were flabbergasted to learn that Federal Long Term Care Insurance Program (FLTCIP) premiums will increase by 83 percent, on average, and by as much as 126 percent for some individuals, in November. Federal annuitants and employees pay the full cost of the premiums. Many of them are on fixed incomes or coming off a three-year pay freeze and substandard pay raises since then. They are being asked to pay an additional $111 per month, on average. This is unacceptable, and so are the alternatives: a reduction in coverage to keep premiums at their current level, taking a "contingent benefit upon lapse" for those who are eligible, or dropping coverage altogether.

Prospective and current policy-holders are warned that the issuer – John Hancock Life & Health Insurance Company – has the right to increase premiums for "a group of enrollees whose premium is determined to be inadequate". But we seriously doubt any of our constituents who signed up for this coverage anticipated premium increases of this magnitude. According to Long Term Care Partners, which administers the FLTCIP on behalf of John Hancock, as reported in the Washington *Post* on July 21, "a recent analysis of the program … indicated current fees 'would not be sufficient to meet the future, projected costs of the benefits.'" How could professional actuaries, financial advisors, risk managers, and other experts be so wrong? We are left to wonder whether the issuer, which has no competition, has engaged in a sort of classic "bait-and switch" by luring customers with what appears to be affordable coverage and then jacking up the premiums. In either instance, the Office of Personnel Management (OPM) has failed to meet its oversight responsibility.

We write to you to make three straightforward requests: First, we have heard from many constituents and federal employee unions who argue that policy-holders need more time to assess their options. We agree. Therefore, we ask that the September 30, 2016 deadline be extended by at least 60 days.

Second, we want to know how and why this happened. The *Post* article mentioned above quotes health economist and insurance expert Alton Francis, as saying, "this never should have happened. The LTC (long term care) estimates should have been actuarially sound and accurate, taking into account far more carefully both the possibility of low interest rates, the low rate of return on premiums invested in bonds, and of adverse selection by persons most likely to need LTC." We agree. A similar situation occurred in 2009 when the last long term insurance contract was negotiated, and premiums increased by up to 25 percent. Two strikes…

Third, we want to know what controls OPM plans to put into place to ensure that something like this never happens again. Premium increases of this magnitude threaten the health, well-being, and retirement security of thousands of hard-working current and former federal employees. And the justifiably negative press coverage of the premium increases probably will dissuade prospective customers from buying coverage, which will exacerbate so-called "adverse selection".

On behalf of our shocked and dismayed constituents, we await your reply to these three requests.

Sincerely,

Benjamin L. Cardin
Benjamin L. Cardin
United States Senator

Barbara A. Mikulski
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United States Senator